



The State of Delaware

FY23 Planning

SEBC Meeting

November 8, 2021

Disclaimer

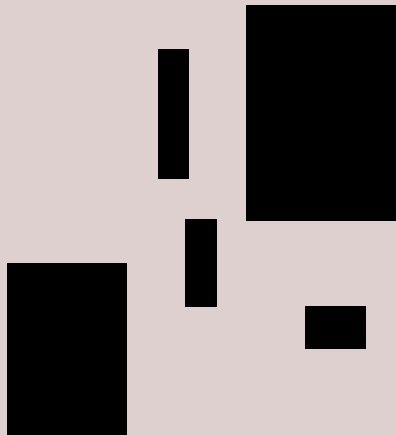
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GHIP long term health care cost projections – recap



GHIP long term health care cost projections (FY22 Q1 update)

No premium increases FY22-FY26 (**includes** \$20m supplemental bill funding in FY22)

GHIP Costs (\$ millions)	FY20 Actual	FY21 Actual	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	129,768	130,179	131,481	132,796	134,124	135,465
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$839.4	\$840.1	\$848.5	\$857.1	\$865.6	\$874.3
<i>Hold premium rates flat FY21 and beyond</i>	-	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$128.9	\$191.0	\$182.0	\$202.0	\$219.3	\$237.3
Total Operating Revenues	\$953.7	\$968.3	\$1,031.1	\$1,030.5	\$1,059.1	\$1,084.9	\$1,111.6
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,005.7	\$1,080.5	\$1,160.9	\$1,239.3	\$1,323.0	\$1,412.4
% Change Per Member	0.9%	7.4%	7.1%	6.4%	5.7%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$37.4)	(\$49.4)	(\$130.4)	(\$180.2)	(\$238.1)	(\$300.8)
Balance Forward	\$163.8	\$189.8	\$152.3	\$102.9	(\$27.5)	(\$207.7)	(\$445.8)
Ending Balance	\$189.8	\$152.3	\$102.9	(\$27.5)	(\$207.7)	(\$445.8)	(\$746.6)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$26.1	\$27.9	\$29.8	\$31.8
- Less COVID-19 Reserve ⁶	-	-	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$70.5	\$17.6	(\$119.1)	(\$305.5)	(\$550.2)	(\$858.0)

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 13) and detailed projection footnotes (slide 14)

GHIP long term health care cost projections (FY22 Q1 update)

- In order to support the GHIP's strategic framework, Willis Towers Watson (WTW) and the State of Delaware have partnered to identify opportunities to reduce future health care expenditures while creating better health care consumers and ultimately improving the health of the GHIP population
- WTW's latest FY23 budget projection reflects a **\$119.1m deficit** that must be solved through a combination of premium rate increases and other levers that can generate substantial plan savings
 - The Financial Subcommittee will be tasked with recommending the timing and level of rate increase in FY23
 - If no other program changes, a 14.0% premium increase will be needed on July 1, 2022 to solve for the projected FY23 deficit of \$119.1m
 - A 14.0% premium increase yields \$86m in State share revenue and \$10m in employee/pensioner revenue for the active/pre-65 retiree population

FY23 monthly rates and employee/retiree contributions

Illustrative: 14.0% increase effective 7/1/2022

FY22 reflects employee contribution increases of \$3.90 - \$38.20 per employee per month (\$46.80 - \$458.40 per year) and State subsidy increases of \$93.45 - \$252.13 per employee per month (\$1,121.40 - \$3,025.56 per year) effective 7/1/2022

	Current Rates			FY 2023 with 14.0% Increase (effective 7/1/2022)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$792.71	\$31.74	\$760.97	\$3.90	\$46.80	\$93.45	\$1,121.40
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,640.10	\$65.57	\$1,574.53	\$8.05	\$96.60	\$193.37	\$2,320.44
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,205.00	\$48.18	\$1,156.82	\$5.92	\$71.04	\$142.06	\$1,704.72
Family	\$1,798.42	\$71.92	\$1,726.50	\$2,050.20	\$81.99	\$1,968.21	\$10.07	\$120.84	\$241.71	\$2,900.52
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$820.44	\$41.02	\$779.42	\$5.04	\$60.48	\$95.72	\$1,148.64
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,701.13	\$85.02	\$1,616.11	\$10.44	\$125.28	\$198.47	\$2,381.64
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,253.50	\$62.65	\$1,190.85	\$7.69	\$92.28	\$146.25	\$1,755.00
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,161.14	\$108.05	\$2,053.09	\$13.27	\$159.24	\$252.13	\$3,025.56
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$827.57	\$53.76	\$773.81	\$6.60	\$79.20	\$95.03	\$1,140.36
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,744.86	\$113.43	\$1,631.43	\$13.93	\$167.16	\$200.35	\$2,404.20
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,265.99	\$82.29	\$1,183.70	\$10.11	\$121.32	\$145.36	\$1,744.32
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,177.19	\$141.50	\$2,035.69	\$17.38	\$208.56	\$249.99	\$2,999.88
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$905.00	\$119.91	\$785.09	\$14.73	\$176.76	\$96.41	\$1,156.92
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,877.97	\$248.82	\$1,629.15	\$30.56	\$366.72	\$200.07	\$2,400.84
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,394.74	\$184.77	\$1,209.97	\$22.69	\$272.28	\$148.59	\$1,783.08
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,347.72	\$311.06	\$2,036.66	\$38.20	\$458.40	\$250.12	\$3,001.44

GHIP long term health care cost projections (FY21 Q4 update)

Recap of August 16, 2021 SEBC meeting

- Due to the looming FY23 deficit, WTW has been asked to review alternatives that will generate GHIP plan savings and reduce the anticipated FY23 premium increase needed to solve for the deficit
- Savings opportunities can come from, but are not limited to, the following alternatives:
 - Medical TPA RFP initiatives
 - Plan design changes for active/pre-65 and Medicfill programs
 - Adoption of proposed CVS Health pharmacy programs
 - Adoption of mandatory bariatric carve-out and incentive modifications with SurgeryPlus
- The following slides detail the potential savings associated with these alternatives
 - All savings estimates require additional analysis and refining; estimates are intended to highlight the magnitude of program changes needed to solve for the projected FY23 deficit of \$119.1m

FY23 opportunities for consideration

Presented to the Subcommittees in September and October

FY23 Opportunity	Description	Est. # Members Impacted*	Est. FY23 Net Savings / Cost Avoided	Impact to required FY23 premium increase of 14.0%
Add deductibles to the Comprehensive PPO and HMO plans	WTW modeled deductibles for single / family coverage ranging from \$50 / \$100 to \$500 / \$1,000	89,000 (PPO & HMO only)	\$1.5M – \$11.7M, depending on deductible level	0.2% – 1.4% reduction in required increase
Deductible/copay changes to the Medicfill plan	WTW modeled deductibles of \$50 and \$250 as well as copays for office visits, ER visits and hospital stays	28,600 (Medicfill only)	Each change ranges from \$0.8M to \$3.9M (max: \$10.3M)	0.1% – 0.5% (max: 1.2%) reduction in required increase
Rx copay changes	WTW modeled impact of increasing Rx copays for Commercial (non-Medicare) and EGWP populations	Commercial: 102,100 EGWP: 28,000	Commercial: \$3.9M EGWP: \$2.3M Total: \$6.2M	Commercial: 0.5% EGWP: 0.3% Total: 0.7% reduction in required increase
Telemedicine copay changes	WTW modeled reinstatement of member cost sharing for telehealth visits with community providers	102,100 (Commercial plans only)	\$4.0M, assuming future utilization mirrors pre-pandemic utilization	0.5% reduction in required increase
CVS Drug Savings Review	Program reviews Rx utilization to ensure that prescriptions follow evidence-based medical guidelines	102,100 (Commercial plans only)	\$1.0M – \$2.8M, assuming 7/1/22 effective date	0.1% – 0.3% reduction in required increase
CVS PrudentRx	Program leverages manufacturer assistance with specialty medications and requires significant engagement from members	102,100 (Commercial plans only)	\$6.9M, current Exclusive Specialty formulary \$7.7M, with enhanced Excl. Specialty formulary	0.8% reduction in required increase, current formulary 0.9% with enhanced formulary

*Based on enrollment as of August 2021.

FY23 opportunities for consideration (continued)

Presented to the Subcommittees in September and October

FY23 Opportunity	Description	Est. # Members Impacted*	Est. FY23 Net Savings / Cost Avoided	Impact to required FY23 premium increase of 14.0%
CVS Transform Diabetes Care	Engages members with diabetes on actionable steps to address gaps in care, evaluate medical needs and facilitate overall wellness	102,100 (Commercial plans only)	\$1.9M <i>(impact on Medicfill plans addressed separately)</i>	0.2% reduction in required increase
SurgeryPlus bariatric carve-out	Adoption of mandatory bariatric surgery only through SurgeryPlus providers	102,100 (Commercial plans only)	\$1.2M <i>(assumes 50% of previous 24 months utilization)</i>	0.1% reduction in required increase
SurgeryPlus incentive design changes	Adoption of changes to financial incentives provided to members who choose to use SurgeryPlus program for elective surgeries	102,100 (Commercial plans only)	\$0.1M <i>(based on FY21 utilization, excluding bariatric surgeries)</i>	Negligible (<0.1%) reduction in required increase

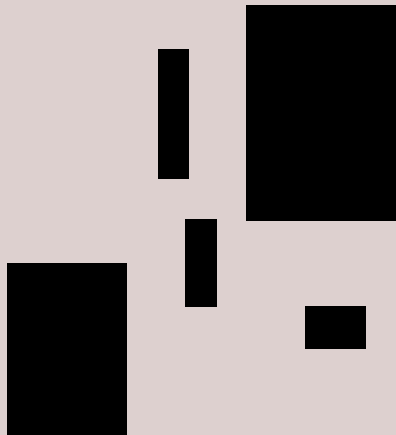
- Maximum annual savings opportunity if all above program changes adopted for FY23 is **\$24M-\$45M**
 - Reduces the projected FY23 deficit from \$119.1M to **\$74M - \$95M**
 - 9% - 11% premium increase will be needed on July 1, 2022 to solve for the remaining deficit, if all above program changes adopted

*Based on enrollment as of August 2021.

Feedback from Subcommittee members

- Subcommittee members were supportive of further consideration of the following FY23 opportunities for a potential recommendation to the SEBC:
 - Medical plan copay changes for telemedicine and steerage to preferred sites of care such as freestanding radiology, independent labs, etc.
 - Medical/Rx plan changes for Medicare pensioners (for 1/1/23 effective date; requires decision by end of March 2022)
 - Deductible/copay changes to the Medicfill plan
 - Rx copay changes for Medicare pensioners
 - CVS Drug Savings Review and Transform Diabetes Care programs
- Limited Subcommittee member support for the following initiatives:
 - Adding deductibles to the PPO and HMO plans
 - SurgeryPlus incentive design modifications
 - SurgeryPlus bariatric carve-out (requires additional information)
 - CVS PrudentRx program (requires additional information)
- Other comments from Subcommittee members:
 - Balance between program changes and premium increases, with some members expressing preference for a higher premium increase, which would spread the cost over all plan participants, in lieu of plan changes such as adding deductibles which would have a greater impact on members who are using the plan
 - Interest in continued evaluation of the impact of deferred care

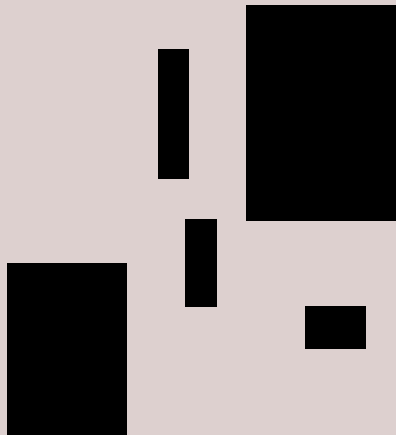
Next steps



Next steps

- December Subcommittee meeting will be used to finalize any recommendations to the SEBC, for presentation and a vote in December 2021

Appendix



GHIP historical health care fund information

FY17-FY19

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Actual
Average Enrolled Members	123,132	125,488	126,360
GHIP Revenue			
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.4
<i>Hold premium rates flat FY21+)</i>	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5
Total Operating Revenues	\$880.6	\$903.0	\$915.9
GHIP Expenses (Claims/Fees)			
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0
% Change Per Member		2.6%	5.1%
Excise Tax Liability ⁵			
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	\$11.9
Balance Forward	\$38.9	\$102.7	\$151.8
Ending Balance	\$102.7	\$151.8	\$163.8
- Less Claims Liability ⁶	\$54.0	\$58.9	\$58.8
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7

GHIP long term health care cost projection footnotes

Note: FY17-FY21 actuals based on final June Fund Equity reports for respective fiscal year; FY22+ projected operating expenses and enrollment based on experience through FY22 Q1 with adjustments due to COVID-19 financial impact; assumed 1% annual enrollment growth; numbers in table may not add up due to rounding

1. Includes approved design changes effective 7/1/2019 including implementation of SurgeryPlus COE (\$0.5m annual savings), site-of-care steerage (\$6.9m), Highmark infusion therapy program (\$2.0m) and implementation of Livongo (\$0.7m); FY21 reflects implementation of Highmark radiation therapy authorization program (\$633k annual savings per Highmark); FY22-FY26 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; FY22 projection reflects impact of COVID-19; assumes no other program changes in FY22 and beyond.
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY22-FY26
3. Includes Rx rebates, EGWP payments, other revenues based on when revenues will be received; FY22 and beyond includes estimated improvements in Rx rebates based on result of PBM award to CVS Health; rebates assumed to be paid 60 days after the quarter adjudicated; includes fees for participating non-State groups (assumed to increase proportionally with membership and premium growth); FY22 includes projected \$8.4m CY2020 CMS financial reconciliation payment to be received Jan. 2022.
4. FY22 and beyond includes estimated reduction in pharmacy claims as a result of PBM award to CVS Health
5. FY20 Minimum Reserve levels updated with data through June 2019; FY20 Claim Liability updated with lag factors as of Dec 2019 and claims data through December 2019; FY21 reserves assumed to remain at FY20 levels; FY22 claim liability and future years assumed to increase with overall GHIP claims growth; FY22 minimum reserve assumed to remain at FY21 level.
6. One-time COVID-19 reserve as approved by SEBC on July 27th, 2020; released at the end of FY21

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.